Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Service Rules for the 698-746, 747-762 and 777-792 MHz Bands	)	WT Docket No. 06-150
	)	
Former Nextel Communications, Inc. Upper 700 MHz Guard Band Licenses and Revisions to Part 27 of the Commission's Rules	)	WT Docket No. 06-169
	)	
Implementing a Nationwide, Broadband, Interoperable Public Safety Network in the 700 MHz Band	)	PS Docket No. 06-229
	)	
Development of Operational, Technical and Spectrum Requirements for Meeting Federal, State and Local Public Safety Communications Requirements Through the Year 2010	)	WT Docket No. 96-86

To: The Commission

COMMENTS OF ALLTEL CORPORATION

Glenn S. Rabin
Vice President, Federal Regulatory Counsel
Alltel Corporation
601 Pennsylvania Avenue, NW
Suite 720
Washington, DC 20004
202-783-3970

May 23, 2007

TABLE OF CONTENTS

Page

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Service Rules for the 698-746, 747-762 and 777-792 MHz Bands	)	WT Docket No. 06-150
	)	
Former Nextel Communications, Inc. Upper 700 MHz Guard Band Licenses and Revisions to Part 27 of the Commission's Rules	)	WT Docket No. 06-169
	)	
Implementing a Nationwide, Broadband, Interoperable Public Safety Network in the 700 MHz Band	)	PS Docket No. 06-229
	)	
Development of Operational, Technical and Spectrum Requirements for Meeting Federal, State and Local Public Safety Communications Requirements Through the Year 2010	)	WT Docket No. 96-86

To: The Commission

COMMENTS OF ALLTEL CORPORATION

I. INTRODUCTION AND SUMMARY

Alltel Corporation ("Alltel") hereby submits these comments in response to the Federal Communications Commission's April 27, 2007 Further Notice of Proposed Rulemaking ("*Further Notice*") in the above-captioned proceedings.[1] Alltel has one of the nation's largest

1 *See Service Rules for the 698-746, 747-762 and 777-792 MHz Bands, WT Docket No. 06-150, Revision of the Commission's Rules to Ensure Compatibility with Enhanced 911 Emergency Calling Systems, CC Docket No. 94-102, Section 68.4(a) of the Commission's Rules Governing Hearing Aid-Compatible Telephones, WT Docket No. 01-309, Biennial Regulatory Review – Amendment of Parts 1, 22, 24, 27, and 90 to Streamline and Harmonize Various Rules Affecting Wireless Radio Services, WT Docket No. 03-264, Former Nextel Communications, Inc. Upper 700 MHz Guard Band Licenses and Revisions to Part 27 of the Commission's Rules, WT Docket No. 06-169, Implementing a Nationwide, Broadband, Interoperable Public Safety Network in the 700 MHz Band, PS Docket No. 06-229, Development of Operational, Technical and Spectrum Requirements for Meeting Federal, State and Local Public Safety Communications*

wireless networks and provides service to over 12 million customers, many of whom are located in rural areas. As a wireless operator deploying mobile broadband services, Alltel is very interested in the upcoming 700 MHz auction and the enormous potential of the 700 MHz spectrum to bring innovative new services to rural areas given the exceptional propagation characteristics of this band.

700 MHz Band Plan: Alltel prefers smaller geographic blocks in the Upper 700 MHz band and supports the Balanced Consensus Proposal. The Commission should create multiple license blocks with smaller geographic areas (particularly CMA licenses) to encourage rural deployment in the Upper and Lower 700 MHz bands.[2] It should also adopt a band plan that contains block sizes of at least 11 MHz (5.5 MHz paired) for all commercial licenses being auctioned in the Upper 700 MHz band to facilitate broadband technologies. In addition, the Commission should reject the self-serving and speculative Frontline Wireless, LLC ("Frontline") proposal, which unnecessarily restricts the manner in which the E Block can be used, limits potential bidders for this valuable spectrum, and significantly reduces the amount of unrestricted commercial spectrum available in the auction to meet substantial demand.

700 MHz Bidding and Service Rules: Alltel favors completely open bidding for the 700 MHz auction, but if the Commission decides to limit the availability of bidding information during the auction, Alltel recommends that the Commission should modify its bidding procedures to provide for the disclosure of key bidding information. In addition, the

---

Requirements Through the Year 2010, WT Docket No. 96-86, Report and Order and Further Notice of Proposed Rulemaking, FCC 07-72 (rel. Apr. 27, 2007) ("*Further Notice*").

[2] Alltel also hereby incorporates by reference its prior filings in this docket. *See, e.g.*, Reply Comments of Alltel Corporation, WT Docket No. 06-150 (filed Oct. 20, 2006) (endorsing the Balanced Consensus Plan) ("*Alltel Reply Comments*").

Commission should modify its rules for setting bid increments. Moreover, Alltel opposes combinatorial bidding, but if the Commission decides to use combinatorial bidding for the 700 MHz auction, it should do so for small (*i.e.*, CMA) rather than large geographic area blocks. Likewise, it should adopt a simple approach in which a single bidder could specify any package of licenses that covers at least 51% of the total bidding units nationwide for a particular license block in the 700 MHz auction. Finally, the Commission should consider imposing "bid premiums" in this auction on bidders affiliated with incumbent local exchange carriers ("ILECs") that hold significant and attributable CMRS spectrum.

II. THE COMMISSION SHOULD ADOPT A BAND PLAN THAT INCLUDES MULTIPLE LICENSE BLOCKS WITH SMALLER GEOGRAPHIC AREAS AND AT LEAST 11 MHZ OF BANDWIDTH FOR EACH BLOCK IN THE UPPER BAND

The *Further Notice* seeks comment on band plan proposals for the Upper and Lower 700 MHz bands.[3] Alltel urges the Commission to adopt a band plan that includes multiple license blocks with smaller geographic areas (particularly CMA licenses) in the Upper and Lower 700 MHz bands, and endorses the principles of the Balanced Consensus Proposal.[4] As Alltel stated in its prior Reply Comments, the Commission should "create as broad based and flexible a set of opportunities at auction for as many differently situated carriers and new entrants as possible."[5] The Commission has considerable experience in conducting spectrum auctions with smaller license areas, such as CMAs, and that experience makes clear that bidders are generally able to

---

3 *See Further Notice* ¶ 176 *et seq.*

4 *See* Letter from Alltel *et al.* to Marlene H. Dortch, Secretary, Federal Communications Commission, WT Docket No. 06-150 (filed Oct. 20, 2006) ("Balanced Consensus Plan").

5 *See Alltel Reply Comments* at 3.

aggregate licenses to cover large regions (and even to provide nationwide coverage).[6] As Alltel has noted, the success of the AWS auction is due in large part to a band plan that included smaller license areas.[7] Moreover, offering licenses with small geographic areas may increase rural broadband wireless deployment.

The Commission should also ensure that all commercial licenses being auctioned in the Upper 700 MHz band have at least 11 MHz of bandwidth. Therefore, it should reject proposals based on the Access Spectrum/Pegasus "alternative proposal" for modifying the guard bands.[8] An 11 MHz minimum block size will facilitate the deployment of broadband services in the Upper 700 MHz band. It will also provide additional technological flexibility to licensees.[9]

III. THE COMMISSION SHOULD REJECT THE FRONTLINE PROPOSAL

The *Further Notice* also seeks comment on a last-minute, self-serving proposal by Frontline to designate a 10 MHz E Block in the Upper 700 MHz band for a commercial licensee that would be required to construct and operate a nationwide, interoperable broadband network – with open access, wholesale-only, and many other purported public interest obligations – that

---

6 In the AWS auction, SpectrumCo acquired spectrum coverage in all major markets through EA licenses and essentially assembled a nationwide footprint. *See id.* at 4 (opposing nationwide licenses); *see also* FCC Auctions Summary: Auction 66, *at http://wireless.fcc.gov/auctions/default.htm?job=auction_summary&id=66.* T-Mobile also aggregated a significant number of CMA licenses in that auction. *Id.*

7 *See Alltel Reply Comments* at 3.

8 *See Further Notice* ¶¶ 195-206 (describing the Access Spectrum/Pegasus alternative proposal and two derivative proposals).

9 *See, e.g.*, Letter from Ruth Milkman to Marlene H. Dortch, Secretary, Federal Communications Commission, on behalf of the Coalition for 4G in America, WT Docket Nos. 06-150, 06-169, and 96-86, at 2 (filed Apr. 18, 2007).

would also be shared with public safety users.[10] The Commission should reject Frontline's proposal because it is designed as an attempt to aggregate political support rather than provide a viable business plan. Indeed, it is nothing more than a speculative business plan that purports to deliver numerous public interest benefits without making real commitments to the public safety community.

First, the wholesale-only business model, open access requirements, and other burdensome and unnecessary service restrictions proposed by Frontline[11] would force the Commission to implicitly subsidize a particular business model that would make the proposed E Block unattractive to so many potential bidders that it would likely reduce the number of serious contenders for the spectrum (as well as the price of this 700 MHz block).[12] Limiting the number of bidders through service restrictions and public interest obligations could result in a below-market price for the E Block spectrum, effectively giving it away without any concomitant guarantee of performance of the licensee's promises.[13] Similarly, the restrictive E Block rules would likely increase the demand for and raise the price of the remaining 50 MHz of flexible-use spectrum in the 700 MHz auction, making it harder for small businesses and those interested in

---

[10] *Further Notice* ¶¶ 168 *et seq.*; *see also, e.g.*, Comments of Frontline Wireless, LLC, WT Docket No. 96-86, PS Docket No. 06-229 (filed Feb. 26, 2007); Reply Comments of Frontline Wireless, LLC, WT Docket No. 96-86, PS Docket No. 06-229 (filed Mar. 12, 2007); Comments of Frontline Wireless, LLC, WT Docket No. 06-150 (filed Mar. 6, 2007).

[11] *See Further Notice* ¶¶ 274-75 (containing a summary of the proposed service requirements).

[12] *See, e.g.*, Response of MetroPCS Communications, Inc. to Untimely "Comments" of Frontline Wireless, LLC, WT Docket No. 06-150, at 5-9 (filed Mar. 26, 2007).

[13] *See, e.g.*, Letter from Steve Largent, President and CEO, CTIA – The Wireless Association® to Kevin Martin, Chairman, Federal Communications Commission, WT Docket No. 06-150, at 4-5 (filed Apr. 5, 2007). Ensuring appropriate performance safeguards would require a separate proceeding that could delay the 700 MHz auction.

providing service to rural areas to obtain access to that spectrum (because they will have difficulty absorbing this additional cost).

If Frontline is interested in acquiring the E Block and making capacity on its network available to public safety agencies on a priority basis, there is nothing in the current 700 MHz band service rules that would prohibit it from doing so. The reality is that Frontline is seeking to have the Commission tailor a spectrum block in the 700 MHz band to its specific and self-serving business plan, which the Commission should not do. Moreover, many of its proposed open access, wholesale-only, and other service restrictions can be adopted voluntarily by any licensee; there is no need for the Commission to dictate unique restrictions for the proposed E Block.[14] Indeed, many elements of Frontline's proposal can be achieved more efficiently through the large amount of unlicensed spectrum that the Commission has made available.[15]

Second, Frontline's proposal should be rejected due to Frontline's failure to provide crucial detail specifying the commitments that the E Block licensee would assume under its proposal, thereby subjecting public safety obligations of paramount importance to "negotiation," later adjustment, and ongoing oversight by the Commission. For example, Frontline proposes that the E Block licensee be permitted "to collect a reasonable network management fee," but does not specify the expected fee amount or range,[16] or any upper limit to the fee. Because

---

14 Access to spectrum by other users is already provided for under the Commission's rules through secondary markets transactions. For example, if firms such as Google Inc. want to implement "dynamic auction techniques," the Commission should facilitate such arrangements—but it does not need to impose that particular business model on all 700 MHz licensees (or all licensees within a particular block). *See* Letter from Richard S. Whitt, Washington Telecom and Media Counsel, Google Inc. to Marlene H. Dortch, Secretary, Federal Communications Commission, WT Docket Nos. 06-150, 06-169, and 96-86, PS Docket No. 06-229 (filed May 21, 2007).

15 *See, e.g.*, the 902-928 MHz, 1920-1930 MHz, 2400-2483 MHz, 5150-5350 MHz, and 5470-5825 MHz bands.

16 *Further Notice* ¶ 274.

auction bidders that expect to charge a high management fee would likely bid more for the license than those that expect to charge a low management fee, Frontline's ambiguous proposal could lead to public safety being forced to pay an exorbitant management fee for the shared network.[17] Frontline should also consult with the public safety community and obtain its firm support regarding the specifics of the proposed E Block commitments before the Commission imposes service restrictions on the 700 MHz spectrum.

Third, Frontline has also failed to provide sufficient information regarding the viability of the shared network under the proposed wholesale-only business model and open access restrictions that would apply to the E Block.[18] The technology that sustains open access has not been fully developed, and the capital required to test and implement a novel open access platform will likely be prohibitive for many potential bidders.[19] No commercial entity has been able to make such a service viable even with commercially proven technologies (*e.g.*, NextWave filed for bankruptcy after relying on a similar business model).[20] Frontline must provide additional information on these issues before the Commission can seriously consider the

---

17 Opportunistic bidders would have the incentive to offer overly optimistic bids and then attempt to "renegotiate" after the auction through defaults, litigation, and bankruptcy, as demonstrated by the Commission's experience with NextWave and the C Block PCS auction. *See* FCC Auctions Summary: Auction 5, *at http://wireless.fcc.gov/auctions/default.htm?job=auction_summary&id=5*; *Amendment of the Commission's Rules Regarding Installment Payment Financing for Personal Communications Services (PCS) Licensees*; Second Report and Order and Further Notice of Proposed Rulemaking, 12 FCC Rcd 16436 (1997) (discussing the financial difficulties experienced by numerous C Block licensees and providing several payment options, including disaggregation, amnesty, and prepayment).

18 *See, e.g.*, Response of MetroPCS Communications, Inc. to Untimely "Comments" of Frontline Wireless, LLC, WT Docket No. 06-150, at 11-12 (filed Mar. 26, 2007); Letter from Steve Largent, President and CEO, CTIA – The Wireless Association® to Kevin Martin, Chairman, Federal Communications Commission, WT Docket No. 06-150, at 4-5 (filed Apr. 5, 2007).

19 For example, protocols and metrics for software-defined radios are still being developed, and multiple software architecture issues remain unsolved.

20 In addition, other requirements that relate to nascent technologies (*e.g.*, software-defined, cognitive and/or adaptive radio technologies) should not be imposed, especially with such valuable spectrum. Any such requirements would only deter potential bidders from participating in the spectrum auction and would likely delay the development of a truly viable solution for public safety.

proposal; otherwise, the Commission may face a series of lingering proceedings or court battles with a potentially failed licensee over the continuation of these restrictions, to the detriment of public safety and other users relying on the network.

In sum, the Commission should reject Frontline's speculative and experimental proposal, which leaves too many important questions unanswered and creates significant uncertainty regarding the long-term viability of the shared network.

IV. THE COMMISSION SHOULD MODIFY ITS COMPETITIVE BIDDING PROCEDURES

The Commission should provide for "open" bidding during the 700 MHz auction, with full access to bidding information. If the Commission decides to limit the disclosure of certain bidding information, however, it should continue to disclose certain key information to bidders during the 700 MHz auction, as discussed below. Further, the Commission should limit any combinatorial bidding in the 700 MHz auction to smaller geographic area or CMA-based license blocks for which a bidder specifies a package of licenses that covers at least 51% of the total bidding units nationwide for a particular license block. Finally, the Commission should modify its bid increment requirements to facilitate additional bids – and auction revenue – as the bid amounts reach higher levels.

A. Anonymous Bidding

The Commission seeks comment in the *Further Notice* on whether it should implement anonymous bidding procedures in the 700 MHz auction.[21] The Commission has recognized that

---

[21] *See Further Notice* ¶¶ 246-50.

there are benefits and costs to implementing either open or anonymous ("blind") bidding procedures.[22] The open disclosure of bidding information, in addition to providing for transparency, has the advantage of allowing each bidder to revise its valuation forecasts based on information revealed in the auction. This information aggregation tends to promote more efficient final allocations. On the other hand, critics of the open procedures raise concerns about "strategic demand withholding" or "market division."[23] Although Alltel believes that open bidding leads to a more efficient auction, if the Commission decides to limit the disclosure of certain bidding information, it should consider intermediate options between full disclosure and total non-disclosure to maintain as many of the benefits of open bidding as possible.

At a minimum, Alltel proposes that the Commission reveal the eligibility of each bidder after each round while withholding the identity of each bidder placing a bid.[24] This limited disclosure would make available to all bidders statistical data that could help them efficiently aggregate information provided during the auction without disclosing information that would

---

[22] *See Auction of Advanced Wireless Services Licenses Scheduled for June 29, 2006, Notice and Filing Requirement, Minimum Opening Bids, Upfront Payment and Other Procedures for Auction No. 66*, Public Notice, 21 FCC Rcd 4562, 4600-05 ¶¶ 140-157 (2006) ("*Auction 66 Procedures Notice*").

[23] In the AWS auction (Auction 66), the Commission established a competitive threshold level, measured by an initial eligibility ratio of 3.0, above which it determined that the auction would be sufficiently competitive (and the risk of such "collusive type" behavior would be sufficiently low) such that it would conduct the auction with open bidding. *Id.* at 4565, 4601 ¶¶ 4, 142 (2006); *Auction of Advanced Wireless Services Licenses*, *168 Bidders Qualified to Participate in Auction 66; Information Disclosure Procedures Announced*, Public Notice, 21 FCC Rcd 8585 (2006) (finding that the eligibility ratio was above 3.0). The results of Auction 66 suggest that the auction was competitive and that limiting information disclosure would have been unlikely to result in a more competitive auction. There was a nationwide new entrant (SpectrumCo) that outbid two others seeking nationwide coverage in the auction (T-Mobile and Wireless DBS); the former settled for partial coverage, and the latter decided to drop out of the auction. *Contra* Letter from Harold Feld, counsel to Media Access Project, to Marlene H. Dortch, Secretary, Federal Communications Commission, WT Docket No. 06-150 (filed Apr. 19, 2007).

[24] In addition, the Commission should, as was the case for Auction 66, withhold bidders' license selections on their short-form application, except as is necessary to ensure that bidders have the information needed to comply with anti-collusion guidelines (*i.e.*, disclosing the identity of other bidders with overlapping interests). *See Auction 66 Procedures Notice* at 4606 ¶ 158.

allow bidders to coordinate bidding strategies. In this way, the Commission could minimize the chances of market division while still allowing bidders to obtain valuable information regarding each bidder's total demand for licenses.

B. Combinatorial Bidding

The *Further Notice* seeks comment on whether the Commission should allow combinatorial bidding under certain band plan scenarios.[25] The AWS auction has shown that efficient license aggregation can be achieved without package bidding. A proposal that allows for package bidding on one REAG-based frequency block when all other blocks are available in EAs and CMAs, as contemplated by the *Further Notice*, should be rejected.[26] Such a proposal would create a strong bias in favor of nationwide bidders and would be tantamount to giving away the spectrum on a nationwide basis.[27] With so many of the details regarding package bidding still not settled, it seems unlikely that a full, clear record can be developed in time without delaying the 700 MHz auction.

Nonetheless, if the Commission decides to allow combinatorial, or "package," bidding in the 700 MHz auction, it should adopt a much simpler and more effective approach than the Simultaneous Ascending Auction with Package Bidding ("SAAPB") method. First, it should only allow package bidding on CMA or small geographic area blocks. Second, the Commission should allow bidders to specify any package of licenses (but only one package at a time) that covers at least 51% of the bidding units nationwide for a particular CMA block, similar to one of

25 *Further Notice* ¶¶ 45, 191, 202, 206.

26 *See id.*

27 The high bid for a nationwide license may be significantly lower than the sum of a combination of CMAs or EAs providing comparable coverage.

the proposals offered by Paul Milgrom and Karen Wrege.[28] This proposal represents a considerable advancement over previous auction package bidding designs and is much simpler to implement than the SAAPB. The proposal would also not favor any particular set of bidders. In addition, the existing Commission software should be able to manage the necessary calculations, because they are a small subset of those included in the SAAPB system that the Commission has previously adopted.

C. Bid Increment Rules

Alltel also suggests that the Commission modify its bid increment rules for the 700 MHz auction. The bid increment rules, based on lagged activity, can be too high when activity is waning, especially on the large licenses. In the AWS auction (Auction 66), for example, the Commission used a floating percentage increment that varied by license and was a function of bidding activity in prior rounds.[29] The bidding activity was measured by an activity index that weighted the current round most heavily.[30] Under this rule, the bid increment percentage for any round varied by license, even for nearly identical licenses. Furthermore, the bid increment percentage varied between the minimum and maximum increments for each license as bidding activity fluctuated. As a result, the bid increment (in dollar amounts) fluctuated substantially, especially for large licenses.

---

[28] *See* Reply Comments of Paul Milgrom and Karen Wrege, WT Docket No. 06-150, at 5-6 (filed Oct. 20, 2006); *see also* Comments of Paul Milgrom and Karen Wrege, WT Docket No. 06-150, at 3-9 (filed Sept. 20, 2006).

[29] *Auction 66 Procedures Notice* at 4618-19 ¶¶ 214-15.

[30] *Id.* The activity index is "a weighted average of the number of bids in that round and the activity index from the prior round." The weights assigned to the previous rounds decrease exponentially as a function of the time distance. *Id.*

Bid increment fluctuation creates a strategic problem for bidders. Bidders that might be unwilling to pay a 20% increment may lose bidding eligibility before the increment falls to an acceptable level, which can lead to a loss of revenue and efficiency in the auction. For other bidders, the varying bid increment provides a reason for "parking," or bidding on other spectrum while waiting for the bid increment on the relevant spectrum to fall.

In Auction 58, for example, the bid increment for a single 10 MHz Los Angeles license peaked at $112 million in Round 7,[31] when the final offer of $374.5 million was submitted. Many rounds later, the Commission reduced the minimum bid increment for that license to $19 million. The fact that the formula used for setting minimum increments experienced such a lag in adjusting to changes in bidding activity could have had a significant impact on the final price for this license.[32] Moreover, in this scenario the U.S. Treasury would have received additional revenue of at least $20 million and as much as $100 million, but for the bid increment rules.[33]

The Commission introduced this floating bid increment, or flexible accelerator rule, in order to ensure that the prices of licenses receiving more bidding activity escalate more quickly

---

31 *See* FCC Auctions Summary: Auction 58, *at* *http://wireless.fcc.gov/auctions/default.htm?job=auction_summary&id=58*.

32 To illustrate this point, the high bid when the $112 million increment was in effect was $374.5 million. A bidder that would have been willing to pay $474.5 million ($374.5 million + $100 million) had to pass on the $112 million increment and bid somewhere else. This bidder would then have likely lost eligibility and would almost certainly have failed to retain enough eligibility to bid for the same license when the increment for this license fell to $19 million in later rounds. Had the increment been reduced to $19-$20 million immediately when bidding activity slowed for the LA license, or had the increment been maintained at a lower level, bidding would have escalated, in this example, to at least $394 million and possibly as high as $494 million (assuming that the winning bidder had valued the LA license in excess of $494 million).

33 When combined with the withdrawal provisions, the current floating bid increment means a bidder will likely incur a withdrawal penalty when it covers its own withdrawn bid, despite the fact that the total obligation (the re-bid amount plus the withdrawn bid amount) is the same as the original withdrawn bid amount. Publicly traded firms must report penalties paid to government agencies in a manner that differs from the way they report expenditures on spectrum licenses, and reporting for this activity can be a significant, unnecessary transaction cost imposed on publicly traded bidders.

than the prices of licenses receiving less bidding activity. Absent this provision, it was thought that bidders seeking a package of licenses might need to commit to lesser value licenses, with little stand-alone value, before the price on the larger core licenses was resolved. Previous auction experience demonstrates, however, that this tool is unnecessary. A bidder seeking to resolve such uncertainty can implement jump bids, of up to nine increments, to ensure that the prices of the more valuable licenses are resolved first. At a minimum, Alltel recommends that the Commission abandon increments that adjust continuously. In particular, if the Commission is to retain use of the flexible accelerator rule for setting increments, Alltel suggests that the Commission round the increment, either in percentage terms (to an integer percentage) or in dollar amounts.

To minimize the bid increment problems, Alltel proposes that the Commission consider either establishing a uniform bidding increment (*e.g.*, \$0.01 per MHz-POP), which enforces higher percentage increments early in the auction and lower percentage increments late in the auction, and/or making the bid increment percentage depend on overall activity in a geographic area. These modifications would ensure that the Commission's bidding increment rules are fair, predictable, and easy to apply uniformly. Adopting this proposal may encourage additional bids and increase auction revenues as bidders continue to compete for particular licenses during the auction's later stages. In addition, if the Commission adopts this alternative bidding increment, it would eliminate the need to impose small withdrawal penalties (a small fraction of a minimum increment) in situations in which a bidder covers its withdrawn bid and where the withdrawn bid is different from the new minimum bid amount for that round because of the exponential smoothing formula.

V. THE COMMISSION SHOULD CONSIDER IMPOSING "BID PREMIUMS" ON ILEC-AFFILIATED BIDDERS IN THE 700 MHZ AUCTION

The wireless service market has become more concentrated in recent years.[34] There are now only four nationwide mobile telephone operators in the Unites States. Two incumbent LECs now dominate the access markets, and these incumbent LECs are also the two largest CMRS operators. Furthermore, incumbent LECs are virtually the only carriers that possess the physical facilities to offer "one-stop shopping" for voice, data and wireless service, and have a broadband monopoly or duopoly in most markets. Although Alltel does not support a full eligibility restriction on ILEC participation in the auction, it would endorse a "bid premium," whereby ILEC-affiliated bidders that currently hold significant and attributable CMRS spectrum would be required to pay at least a 25% bid premium for licenses in this auction.[35] Such a bid premium would act as an effective disincentive to warehousing of 700 MHz spectrum and would promote greater competition in the provision of broadband services.

VI. CONCLUSION

For the foregoing reasons, Alltel requests that the Commission adopt multiple smaller geographic area blocks and provide for block sizes of at least 11 MHz each in the Upper 700 MHz band. In addition, the Commission should reject the experimental, self-serving Frontline proposal. It should also ensure that its competitive bidding procedures provide for the disclosure of key bidder eligibility information and allow for linked bid increments. If it adopts package

---

34 *Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual Report and Analysis of Competitive Market Conditions with Respect to Commercial Mobile Services*, Eleventh Report, 21 FCC Rcd 10947, 10964-66 ¶¶ 41-47 and Table 6 (2006).

35 *See Further Notice* ¶ 221 (seeking comment on proposals for incumbent eligibility restrictions and new entrant bidding credits). This proposal would be easier to administer, and more directly addresses concentration concerns, than would a bidding credit for new entrants.

bidding, it should only allow such bidding on smaller geographic area blocks (such as CMA blocks), and only when the bidder specifies a package of licenses that covers at least 51% of the total bidding units nationwide for a particular block. Finally, the Commission should consider imposing "bid premiums" of at least 25% on ILEC-affiliated bidders that currently hold significant and attributable CMRS spectrum.

Respectfully submitted,

May 23, 2007

Alltel Corporation

By: ______________________________

Glenn S. Rabin
Vice President, Federal Regulatory Counsel
Alltel Corporation
601 Pennsylvania Avenue, NW
Suite 720
Washington, DC 20004
202-783-3970